



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE February 27, 2009

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the City of Dyersville, Iowa.

The City's revenues totaled \$4,555,863 for the year ended June 30, 2008, a 16 percent decrease from the prior year. Revenues included \$1,384,133 in property tax, \$257,506 from tax increment financing, \$1,660,364 from charges for service, \$380,861 from operating grants, contributions and restricted interest, \$7,873 from capital grants, contributions and restricted interest, \$494,193 from local option sales tax, \$113,719 from unrestricted investment earnings and \$257,214 from other general revenues.

Expenses for City operations totaled \$5,224,741, a 34.5% increase over the previous year. Expenses included \$1,118,011 for community and economic development, \$890,348 for public safety and \$797,924 for culture and recreation. Expenses for business type activities totaled \$1,281,418.

The significant decrease in revenues is due primarily to capital grants and contributions received by the City in the prior year from Vision Iowa and developers. No similar or significant capital contributions were received during the year ended June 30, 2008. The significant increase in expenses is primarily due to a grant to Dyersville Industries to purchase land for an industrial park.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF DYERSVILLE**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

# CITY OF DYERSVILLE, IOWA

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**CITY OF DYERSVILLE, IOWA**  
**OFFICIALS**  
**JUNE 30, 2008**

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| <u>Name</u>                  | <u>Title</u>            | <u>Term Expires</u> |
|------------------------------|-------------------------|---------------------|
| <b>(Before January 2008)</b> |                         |                     |
| James Heavens                | Mayor                   | Jan 2008            |
| Michael English              | Council Member          | Jan 2008            |
| Ray Sauser                   | Council Member          | Jan 2008            |
| Dan Willenborg               | Council Member          | Jan 2010            |
| Robert Platz                 | Council Member          | Jan 2010            |
| Molly Evers                  | Council Member          | Jan 2010            |
| Mick Michel                  | City Administrator      | Appointed           |
| Tricia Maiers                | City Clerk/Treasurer    | Appointed           |
| Marc Casey                   | City Attorney           | Appointed           |
| William Blum                 | Assistant City Attorney | Appointed           |
| <b>(After January 2008)</b>  |                         |                     |
| James Heavens                | Mayor                   | Jan 2010            |
| Dan Willenborg               | Council Member          | Jan 2010            |
| Robert Platz                 | Council Member          | Jan 2010            |
| Molly Evers                  | Council Member          | Jan 2010            |
| Michael English              | Council Member          | Jan 2012            |
| Robert Kramer                | Council Member          | Jan 2012            |
| Mick Michel                  | City Administrator      | Appointed           |
| Tricia Maiers                | City Clerk/Treasurer    | Appointed           |
| Marc Casey                   | City Attorney           | Appointed           |
| C. J. May                    | Assistant City Attorney | Appointed           |

## **CITY OF DYERSVILLE, IOWA**



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State Capitol Building  
Des Moines, Iowa 50319-0004

David A. Vaudt, CPA  
Auditor of State

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dyersville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

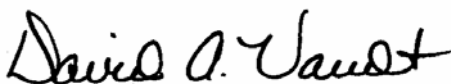
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2009 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

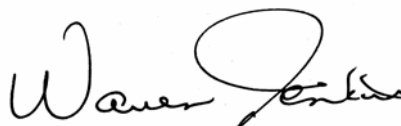
Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The report of the other auditors stated the supplementary information for the four years ended June 30, 2005, was subjected to the auditing procedures applied in their audits of the financial statements and, in their opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 16, 2009



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Dyersville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 15.3%, or \$561,909, from fiscal 2007 to fiscal 2008. Capital grants and contributions decreased \$580,248 while operating grants and contributions increased \$12,526 and charges for service increased \$14,754. The majority of the decrease in capital grants was due to contributions of infrastructure from real estate developers in fiscal year 2007.

Revenues of the City's business-type activities decreased 19%, or \$336,561, from fiscal year 2007 to fiscal year 2008.

Program expenses of the City's governmental activities increased 48.9%, or \$1,294,079, in fiscal 2008 from fiscal 2007. Community and economic development expenses increased \$1,101,223 from fiscal year 2007 to 2008 due to payment of a development grant to Dyersville Industries of \$1,100,000. On September 18, 2007, Dyersville Industries acquired property and the City and Dyersville Industries plan to develop an industrial park on the property in fiscal year 2009, including the construction of certain public improvements and the subsequent development of commercial and industrial facilities and enterprises on the property. The proceeds from the development grant to Dyersville Industries were used to offset the costs for acquiring the property. Public safety, public works, culture and recreation, interest on long-term debt and health and social services expenses all increased from the prior fiscal year by \$85,093, \$46,982, \$41,237, \$42,458 and \$200, respectively. General government expenses decreased \$23,114 from fiscal year 2007 to 2008.

The City's net assets decreased 5.13%, or \$668,878, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities decreased \$879,745 and the net assets of the business-type activities increased \$210,867.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Dyersville as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, “whether the City as a whole is better or worse off as a result of the year's activities?” The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as “net assets.” Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental receipts finance most of these activities.
- Business-type activities include the City's utility services, such as the waterworks, sanitation and sanitary sewer systems. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects, Capital Improvements Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the City's utility services, such as Water Utility, Sewage Disposal Works and Solid Waste. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

### Net Assets at Year-end

|  | Government Activities |               | Business-Type Activities |              | Total         |               |
|--|-----------------------|---------------|--------------------------|--------------|---------------|---------------|
|  | 2008                  | 2007          | 2008                     | 2007         | 2008          | 2007          |
| Current and other assets                           | \$ 7,537,206          | \$ 4,269,631  | \$ 3,055,105             | \$ (381,396) | \$ 10,592,311 | \$ 3,888,235  |
| Capital assets                                     | 7,525,775             | 7,446,173     | 7,957,427                | 8,116,899    | 15,483,202    | 15,563,072    |
| Total assets                                       | 15,062,981            | 11,715,804    | 11,012,532               | 7,735,503    | 26,075,513    | 19,451,307    |
| Long-term liabilities                              | 5,745,811             | 1,773,759     | 5,814,159                | 2,716,495    | 11,559,970    | 4,490,254     |
| Other liabilities                                  | 2,055,994             | 1,801,124     | 80,096                   | 111,598      | 2,136,090     | 1,912,722     |
| Total liabilities                                  | 7,801,805             | 3,574,883     | 5,894,255                | 2,828,093    | 13,696,060    | 6,402,976     |
| Net assets:  |                       |               |                          |              |               |               |
| Invested in capital assets,<br>net of related debt | 6,188,466             | 5,807,630     | 5,421,770                | 5,425,733    | 11,610,236    | 11,233,363    |
| Restricted   | 1,352,826             | 1,784,876     | -                        | -            | 1,352,826     | 1,784,876     |
| Unrestricted                                       | (280,116)             | 548,415       | (303,493)                | (518,323)    | (583,609)     | 30,092        |
| Total net assets                                   | 7,261,176             | 8,140,921     | 5,118,277                | 4,907,410    | 12,379,453    | 13,048,331    |
| Liabilities & Net Assets                           | \$ 15,062,981         | \$ 11,715,804 | \$ 11,012,532            | \$ 7,735,503 | \$ 26,075,513 | \$ 19,451,307 |

Net assets of governmental activities decreased from FY07 by \$879,745, or 10.8%, while net assets of business-type activities increased \$210,867, or 4.3%. The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$(583,609), a deficit balance at the end of this year. The decrease in unrestricted net assets is due primarily to the redemption of \$730,000 of general obligation bonds, the proceeds of which were used for the library.

**Changes in Net Assets for  
The year ended June 30,**

|  | Government Activities |                     | Business-Type Activities |                     | Total               |                     |
|--|-----------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2008                  | 2007                | 2008                     | 2007                | 2008                | 2007                |
| Revenues   |                       |                     |                          |                     |                     |                     |
| Program revenues:  |                       |                     |                          |                     |                     |                     |
| Charges for service                                      | \$ 234,652            | \$ 219,898          | \$ 1,425,712             | \$ 1,260,361        | \$ 1,660,364        | \$ 1,480,259        |
| Operating grants and contributions                       | 380,861               | 368,335             | -                        | -                   | 380,861             | 368,335             |
| Capital grants and contributions                         | 7,873                 | 588,121             | -                        | 504,632             | 7,873               | 1,092,753           |
| General revenues:  |                       |                     |                          |                     |                     |                     |
| Property tax levied for:                                 |                       |                     |                          |                     |                     |                     |
| General purposes   | 1,123,022             | 1,055,845           | -                        | -                   | 1,123,022           | 1,055,845           |
| Debt service   | 261,111               | 280,824             | -                        | -                   | 261,111             | 280,824             |
| Tax increment financing                                  | 257,506               | 339,685             | -                        | -                   | 257,506             | 339,685             |
| Local option sales tax                                   | 494,193               | 490,553             | -                        | -                   | 494,193             | 490,553             |
| Hotel/motel tax  | 89,265                | 85,560              | -                        | -                   | 89,265              | 85,560              |
| Unrestricted investment earnings                         | 108,269               | 77,000              | 5,450                    | -                   | 113,719             | 77,000              |
| Miscellaneous  | 163,347               | 176,187             | 56,521                   | 7,332               | 219,868             | 183,519             |
| Total revenues   | <u>3,120,099</u>      | <u>3,682,008</u>    | <u>1,487,683</u>         | <u>1,772,325</u>    | <u>4,607,782</u>    | <u>5,454,333</u>    |
| Program expenses:  |                       |                     |                          |                     |                     |                     |
| Public safety  | 890,348               | 805,255             | -                        | -                   | 890,348             | 805,255             |
| Public works   | 618,352               | 571,370             | -                        | -                   | 618,352             | 571,370             |
| Health and social services                               | 1,000                 | 800                 | -                        | -                   | 1,000               | 800                 |
| Culture and recreation                                   | 797,924               | 756,687             | -                        | -                   | 797,924             | 756,687             |
| Community and economic development                       | 1,118,011             | 16,788              | -                        | -                   | 1,118,011           | 16,788              |
| General government                                       | 383,018               | 406,132             | -                        | -                   | 383,018             | 406,132             |
| Interest on long-term debt                               | 134,670               | 92,212              | -                        | -                   | 134,670             | 92,212              |
| Water utility  | -                     | -                   | 459,482                  | 482,874             | 459,482             | 482,874             |
| Sewage disposal works                                    | -                     | -                   | 637,981                  | 588,121             | 637,981             | 588,121             |
| Solid waste  | -                     | -                   | 183,955                  | 164,901             | 183,955             | 164,901             |
| Total expenses   | <u>3,943,323</u>      | <u>2,649,244</u>    | <u>1,281,418</u>         | <u>1,235,896</u>    | <u>5,224,741</u>    | <u>3,885,140</u>    |
| Excess (deficiency) of revenue over (under) expenditures | (823,224)             | 1,032,764           | 206,265                  | 536,429             | (616,959)           | 1,569,193           |
| Transfers  | (56,521)              | 240,067             | 4,602                    | (240,067)           | (51,919)            | -                   |
| Change in net assets                                     | (879,745)             | 1,272,831           | 210,867                  | 296,362             | (668,878)           | 1,569,193           |
| Net assets beginning of year                             | <u>8,140,921</u>      | <u>6,868,090</u>    | <u>4,907,410</u>         | <u>4,611,048</u>    | <u>13,048,331</u>   | <u>11,479,138</u>   |
| Net assets end of year                                   | <u>\$ 7,261,176</u>   | <u>\$ 8,140,921</u> | <u>\$ 5,118,277</u>      | <u>\$ 4,907,410</u> | <u>\$12,379,453</u> | <u>\$13,048,331</u> |

The City decreased property tax rates for debt service for fiscal 2008 approximately 9.6%. This decreased the City's property tax revenue for debt service \$19,713 in fiscal year 2008. General property tax revenue increased \$67,177 due to an increase in taxable property valuation.

## INDIVIDUAL MAJOR FUND ANALYSIS

### *Governmental Fund Highlights*

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$5,242,331, which is more than the \$2,208,597 total fund balance at June 30, 2007. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues increased approximately 13%, or \$215,232. General Fund expenditures decreased approximately 2% due to a decrease in general government expenditures from fiscal year 2007. The General Fund balance decreased \$108,077 from the prior year to \$616,361.

The Special Revenue, Road Use Tax Fund is used to account for state revenues allocated to the City for maintenance and improvement of City streets. This fund ended fiscal 2008 with a \$211,060 balance compared to the prior year ending fund balance of \$238,575. Revenues and expenditures remained relatively unchanged from the prior fiscal year.

The Special Revenue, Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2008 with a \$273,204 balance compared to the prior year ending fund balance of \$613,781. Expenditures increased \$1,025,526 due to a TIF grant made to Dyersville Industries to purchase land in the City's urban renewal area.

The Special Revenue, Local Option Sales Tax Funds is used to account for revenues from the one percent local option sales and service tax. Twenty-five percent is used for property relief and seventy-five percent is used to reduce future borrowing. This fund ended fiscal 2008 with a \$668,559 balance compared to the prior year ending fund balance of \$690,868.

The Capital Projects, Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal 2008 with a \$3,338,830 balance compared to the prior year ending deficit balance of \$(245,933). The increase in fund balance was due to proceeds from the issuance of debt which will be spent to complete projects in progress.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt. The fund ended fiscal 2008 with a \$110,556 balance compared to the prior year ending fund balance of \$132,054.

### *Proprietary Fund Highlights*

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2008 with a \$2,672,927 net asset balance compared to the prior year ending net asset balance of \$2,552,443.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2008 with a \$2,365,153 net asset balance compared to the prior year ending net asset balance of \$2,281,535.

### *Budgetary Highlights*

Over the course of the year, the City of Dyersville amended its budget two times. The amendments were done on March 3, 2008 and May 19, 2008. The amendments were needed to adjust receipts and disbursements.

On March 3, 2008, receipts and disbursements were amended to more accurately reflect the FY 2008 Budget.

On May 19, 2008, disbursements were increased due to street and snow removal operation expenses, park operation expenses, library services capital projects, CDBG debt service expenses and general government capital outlay expenses. Furthermore, the Capital Projects Fund anticipates an increase in expenses due to engineering costs for future projects. Planning and zoning expenses are anticipated at this time.

Even with these amendments, disbursements exceeded the debt service function budget due to paying off the library general obligation bonds early. Disbursements also exceeded the amounts budgeted in the public safety and business-type activities functions.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### *Capital Assets*

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$7,525,775 (net of accumulated depreciation) at June 30, 2008. Capital assets for business-type activities totaled \$7,957,427 (net of accumulated depreciation) at June 30, 2008. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included library shelving, a police radar trailer, Channel 8 video equipment, voice mail system and a truck.

For business-type activities, major additions included a truck.

#### *Long-Term Liabilities*

At June 30, 2008, the City had \$5,745,811 in total long-term liabilities outstanding for governmental activities. Total long-term liabilities outstanding for business-type activities was \$5,814,159 at June 30, 2008. The long term debt includes capital lease purchase agreements for four trucks totaling \$236,550 with a total remaining balance of \$153,927 at June 30, 2008, of which a portion is recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12 million. Other obligations include accrued vacation pay and sick leave. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE**

Several economic factors affected decisions made by the City in setting its fiscal 2009 budget. The City of Dyersville will experience a decrease in government and proprietary funds from fiscal 2008 to fiscal 2009. The major factors that will play a role in this change are uncontrollable factors—reduction in intergovernmental revenue, an increase in operational costs, such as energy and insurance prices and the global economic crisis.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The National CPI increase was 3.8 percent for 2008. Inflation has been modest here due, in part, to the slowing of the residential housing market, modest increases in energy prices in 2007-2008 and the overall downturn in the United States economy.

The General Fund is projected to end fiscal 2009 with a fund balance of approximately \$367,500.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2009 are provided below:

|                   |            |
|-------------------|------------|
| General levy      | \$ 8.07033 |
| Debt Service levy | \$ 1.84464 |
| Total             | \$ 9.91497 |

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact Mick J. Michel, City Administrator, 340 1<sup>st</sup> Avenue East, Dyersville, Iowa 52040.

## **CITY OF DYERSVILLE, IOWA**



## **BASIC FINANCIAL STATEMENTS**

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

|                                   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|-----------------------------------|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                     |                            |                             |                   |
| Cash and pooled cash investments  | \$ 7,859,109               | \$ 168,756                  | \$ 8,027,865      |
| Receivables:                      |                            |                             |                   |
| Property tax:                     |                            |                             |                   |
| Delinquent                        | 20,260                     | -                           | 20,260            |
| Succeeding year                   | 1,831,813                  | -                           | 1,831,813         |
| Accounts and other                | 950                        | 196,863                     | 197,813           |
| Special assessments               | 238,787                    | -                           | 238,787           |
| Accrued interest                  | 12,953                     | -                           | 12,953            |
| Due from other governments        | 191,408                    | -                           | 191,408           |
| Internal balances                 | (2,619,782)                | 2,619,782                   | -                 |
| Inventories                       | -                          | 26,327                      | 26,327            |
| Restricted assets:                |                            |                             |                   |
| Cash and pooled cash investments  | -                          | 23,142                      | 23,142            |
| Deferred charges                  | 1,708                      | 20,235                      | 21,943            |
| Capital assets:                   |                            |                             |                   |
| Land                              | 1,360,015                  | 140,280                     | 1,500,295         |
| Buildings                         | 3,466,182                  | -                           | 3,466,182         |
| Improvements other than buildings | 278,640                    | -                           | 278,640           |
| Machinery and equipment           | 1,680,236                  | 486,041                     | 2,166,277         |
| Infrastructure                    | 2,736,203                  | 10,543,236                  | 13,279,439        |
| Construction in progress          | 171,770                    | -                           | 171,770           |
| Accumulated depreciation          | (2,167,271)                | (3,212,130)                 | (5,379,401)       |
| Total Assets                      | <u>15,062,981</u>          | <u>11,012,532</u>           | <u>26,075,513</u> |

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>LIABILITIES</b>                                 |                            |                             |                      |
| Accounts payable                                   | \$ 130,991                 | \$ 28,862                   | \$ 159,853           |
| Accrued interest payable                           | 23,609                     | 22,741                      | 46,350               |
| Salaries and benefits payable                      | 30,939                     | 3,682                       | 34,621               |
| Unearned revenue:                                  |                            |                             |                      |
| Succeeding year property tax                       | 1,831,813                  | -                           | 1,831,813            |
| Other  | 38,642                     | 6,652                       | 45,294               |
| Long-term liabilities:                             |                            |                             |                      |
| Portion due or payable within one year:            |                            |                             |                      |
| Customer deposits                                  | -                          | 20,118                      | 20,118               |
| Capital lease purchase agreements                  | 7,625                      | 15,250                      | 22,875               |
| Notes payable                                      | 285,000                    | 90,000                      | 375,000              |
| General obligation bonds payable                   | 121,500                    | 13,500                      | 135,000              |
| Revenue bonds payable                              | -                          | 135,000                     | 135,000              |
| Compensated absences                               | 106,502                    | 26,541                      | 133,043              |
| Portion due or payable after one year:             |                            |                             |                      |
| Capital lease purchase agreements                  | 43,684                     | 87,368                      | 131,052              |
| Notes payable                                      | 5,060,000                  | 3,160,000                   | 8,220,000            |
| General obligation bonds payable                   | 121,500                    | 11,541                      | 133,041              |
| Revenue bonds payable                              | -                          | 2,273,000                   | 2,273,000            |
| Total Liabilities                                  | <u>7,801,805</u>           | <u>5,894,255</u>            | <u>13,696,060</u>    |
| <b>NET ASSETS</b>                                  |                            |                             |                      |
| Invested in capital assets, net of<br>related debt | 6,188,466                  | 5,421,770                   | 11,610,236           |
| Restricted for:                                    |                            |                             |                      |
| Local option sales tax                             | 668,559                    | -                           | 668,559              |
| Road use   | 211,060                    | -                           | 211,060              |
| Economic development                               | 273,204                    | -                           | 273,204              |
| Library  | 52,936                     | -                           | 52,936               |
| Debt service                                       | 88,655                     | -                           | 88,655               |
| Other purposes                                     | 58,412                     | -                           | 58,412               |
| Unrestricted                                       | (280,116)                  | (303,493)                   | (583,609)            |
| Total Net Assets                                   | <u>\$ 7,261,176</u>        | <u>\$ 5,118,277</u>         | <u>\$ 12,379,453</u> |

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

| Functions/Programs                 | Expenses            | Program Revenues    |                                    |                                  |
|------------------------------------|---------------------|---------------------|------------------------------------|----------------------------------|
|                                    |                     | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities:           |                     |                     |                                    |                                  |
| Public safety                      | \$ 890,348          | \$ 21,082           | \$ 7,719                           | \$ -                             |
| Public works                       | 618,352             | -                   | 345,738                            | 7,873                            |
| Health and social services         | 1,000               | -                   | -                                  | -                                |
| Culture and recreation             | 797,924             | 213,570             | 27,404                             | -                                |
| Community and economic development | 1,118,011           | -                   | -                                  | -                                |
| General government                 | 383,018             | -                   | -                                  | -                                |
| Interest on long-term debt         | 134,670             | -                   | -                                  | -                                |
| Total governmental activities      | <u>3,943,323</u>    | <u>234,652</u>      | <u>380,861</u>                     | <u>7,873</u>                     |
| Business-type activities:          |                     |                     |                                    |                                  |
| Water utility                      | 459,482             | 574,668             | -                                  | -                                |
| Sewage disposal works              | 637,981             | 660,324             | -                                  | -                                |
| Solid waste                        | 183,955             | 190,720             | -                                  | -                                |
| Total business-type activities     | <u>1,281,418</u>    | <u>1,425,712</u>    | <u>-</u>                           | <u>-</u>                         |
| Total                              | <u>\$ 5,224,741</u> | <u>\$ 1,660,364</u> | <u>\$ 380,861</u>                  | <u>\$ 7,873</u>                  |

General revenues:

Property tax and other City tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See notes to financial statements.

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| Net (Expense) Revenue and<br>Changes in Net Assets |                             |                      |
|--|-----------------------------|----------------------|
| Primary Government                                 |                             |                      |
| Governmental<br>Activities                         | Business-type<br>Activities | Total                |
| <hr/>  |                             |                      |
| \$ (861,547)                                       | \$ -                        | \$ (861,547)         |
| (264,741)  | -                           | (264,741)            |
| (1,000)  | -                           | (1,000)              |
| (556,950)  | -                           | (556,950)            |
| (1,118,011)  | -                           | (1,118,011)          |
| (383,018)  | -                           | (383,018)            |
| (134,670)  | -                           | (134,670)            |
| <u>(3,319,937)</u>                                 | <u>-</u>                    | <u>(3,319,937)</u>   |
| <br>   |                             |                      |
| -  | 115,186                     | 115,186              |
| -  | 22,343                      | 22,343               |
| -  | <u>6,765</u>                | <u>6,765</u>         |
| -  | <u>144,294</u>              | <u>144,294</u>       |
| <u>(3,319,937)</u>                                 | <u>144,294</u>              | <u>(3,175,643)</u>   |
| <br>   |                             |                      |
| 1,123,022  | -                           | 1,123,022            |
| 261,111  | -                           | 261,111              |
| 257,506  | -                           | 257,506              |
| 494,193  | -                           | 494,193              |
| 89,265   | -                           | 89,265               |
| 108,269  | 5,450                       | 113,719              |
| 163,347  | 4,602                       | 167,949              |
| (56,521)   | <u>56,521</u>               | <u>-</u>             |
| <u>2,440,192</u>                                   | <u>66,573</u>               | <u>2,596,030</u>     |
| (879,745)  | 210,867                     | (668,878)            |
| <u>8,140,921</u>                                   | <u>4,907,410</u>            | <u>13,048,331</u>    |
| <u>\$ 7,261,176</u>                                | <u>\$ 5,118,277</u>         | <u>\$ 12,379,453</u> |

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**CITY OF DYERSVILLE, IOWA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

|   |                     | Special Revenue   |  |
|---|---------------------|-------------------|--|
|   |                     |                   | Dyersville<br>Economic<br>Development<br>TIF |
|   | General             | Road Use<br>Tax   |  |
| <b>ASSETS</b>                               |                     |                   |  |
| Cash and pooled cash investments            | \$ 72,793           | \$ 201,896        | \$ 277,398                                   |
| Receivables:                                |                     |                   |  |
| Property tax:                               |                     |                   |  |
| Delinquent                                  | 13,197              | -                 | 3,883  |
| Succeeding year                             | 1,177,081           | -                 | 362,000                                      |
| Accounts and other                          | 950                 | -                 | -  |
| Special assessments                         | -                   | -                 | -  |
| Accrued interest                            | 4,636               | -                 | 3,640  |
| Due from other governments                  | 26,281              | 27,676            | -  |
| Due from other funds                        | 611,292             | -                 | -  |
| Total Assets                                | <u>\$ 1,906,230</u> | <u>\$ 229,572</u> | <u>\$ 646,921</u>                            |
| <b>LIABILITIES AND FUND BALANCES</b>        |                     |                   |  |
| <b>LIABILITIES</b>                          |                     |                   |  |
| Accounts payable                            | \$ 79,819           | \$ 16,185         | \$ 11,701                                    |
| Salaries and benefits payable               | 28,612              | 2,327             | -  |
| Accrued interest payable                    |                     |                   |  |
| Deferred revenue:                           |                     |                   |  |
| Succeeding year property tax                | 1,177,081           | -                 | 362,000                                      |
| Other                                       | 4,357               | -                 | 16   |
| Due to other funds                          | -                   | -                 | -  |
| Total Liabilities                           | <u>1,289,869</u>    | <u>18,512</u>     | <u>373,717</u>                               |
| <b>FUND BALANCES</b>                        |                     |                   |  |
| Reserved for:                               |                     |                   |  |
| Debt service                                | -                   | -                 | -  |
| Capital projects                            | -                   | -                 | -  |
| Unreserved, reported in:                    |                     |                   |  |
| General fund:                               |                     |                   |  |
| Designated for Library capital expenditures | 183,863             | -                 | -  |
| Undesignated                                | 432,498             | -                 | -  |
| Special revenue funds:                      |                     |                   |  |
| Designated for library                      | -                   | -                 | -  |
| Undesignated                                | -                   | 211,060           | 273,204                                      |
| Capital projects funds:                     |                     |                   |  |
| Undesignated                                | -                   | -                 | -  |
| Total Fund Balances                         | <u>616,361</u>      | <u>211,060</u>    | <u>273,204</u>                               |
| Total Liabilities and Fund Balances         | <u>\$ 1,906,230</u> | <u>\$ 229,572</u> | <u>\$ 646,921</u>                            |

See notes financial statements.

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| Local Option<br>Sales Tax | Capital Projects        |                   | Nonmajor<br>Governmental |  | Total                |
|---------------------------|-------------------------|-------------------|--------------------------|--|----------------------|
|                           | Capital<br>Improvements | Debt<br>Service   | Funds                    |  |                      |
| \$ 494,975                | \$ 6,592,393            | \$ 108,343        | \$ 111,311               |  | \$ 7,859,109         |
| -                         | -                       | 3,180             | -                        |  | 20,260               |
| -                         | -                       | 292,732           | -                        |  | 1,831,813            |
| -                         | -                       | -                 | -                        |  | 950                  |
| -                         | 238,787                 | -                 | -                        |  | 238,787              |
| 3,988                     | 641                     | -                 | 48                       |  | 12,953               |
| 82,009                    | -                       | -                 | 55,442                   |  | 191,408              |
| 87,587                    | -                       | -                 | -                        |  | 698,879              |
| <u>\$ 668,559</u>         | <u>\$ 6,831,821</u>     | <u>\$ 404,255</u> | <u>\$ 166,801</u>        |  | <u>\$ 10,854,159</u> |
|                           |                         |                   |                          |  |                      |
| \$ -                      | \$ 23,275               | \$ -              | \$ 11                    |  | \$ 130,991           |
| -                         | -                       | -                 | -                        |  | 30,939               |
|                           |                         |                   |                          |  |                      |
| -                         | -                       | 292,732           | -                        |  | 1,831,813            |
| -                         | 238,642                 | 967               | 55,442                   |  | 299,424              |
| -                         | 3,231,074               | -                 | 87,587                   |  | 3,318,661            |
| -                         | <u>3,492,991</u>        | <u>293,699</u>    | <u>143,040</u>           |  | <u>5,611,828</u>     |
|                           |                         |                   |                          |  |                      |
| -                         | -                       | 110,556           | -                        |  | 110,556              |
| -                         | 3,442,850               | -                 | -                        |  | 3,442,850            |
|                           |                         |                   |                          |  |                      |
| -                         | -                       | -                 | -                        |  | 183,863              |
| -                         | -                       | -                 | -                        |  | 432,498              |
|                           |                         |                   |                          |  |                      |
| -                         | -                       | -                 | 52,936                   |  | 52,936               |
| 668,559                   | -                       | -                 | (87,587)                 |  | 1,065,236            |
|                           |                         |                   |                          |  |                      |
| -                         | (104,020)               | -                 | 58,412                   |  | (45,608)             |
| <u>668,559</u>            | <u>3,338,830</u>        | <u>110,556</u>    | <u>23,761</u>            |  | <u>5,242,331</u>     |
| <u>\$ 668,559</u>         | <u>\$ 6,831,821</u>     | <u>\$ 404,255</u> | <u>\$ 166,801</u>        |  | <u>\$ 10,854,159</u> |

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## **CITY OF DYERSVILLE, IOWA**



**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

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**Exhibit D**

Total fund balances - governmental funds (page 21) \$ 5,242,331

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not current  
financial resources and, therefore, are not reported in the  
governmental funds.

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Cost of capital assets   | \$ 9,693,046       |           |
| Accumulated depreciation | <u>(2,167,271)</u> | 7,525,775 |

Some of the City's revenues will be collected after year-end, but  
are not available soon enough to pay current period expenditures  
and, therefore, are deferred in the governmental  
funds. Those revenues consist of:

|              |                |         |
|--------------|----------------|---------|
| Property tax | 5,340          |         |
| Other        | <u>255,442</u> | 260,782 |

Some liabilities are not due and payable in the current period and,  
therefore, are not reported in the governmental funds. Those  
liabilities consist of

|                                   |                  |                    |
|-----------------------------------|------------------|--------------------|
| General obligation bonds          | (243,000)        |                    |
| Capital lease purchase agreements | (51,309)         |                    |
| Deferred charges on bonds         | 1,708            |                    |
| Notes payable                     | (5,345,000)      |                    |
| Accrued interest payable          | (23,609)         |                    |
| Compensated absences              | <u>(106,502)</u> | <u>(5,767,712)</u> |

Net assets of governmental activities (page 17) \$ 7,261,176

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

|  |              | Special Revenue |  |
|--|--------------|-----------------|--|
|  |              |                 | Dyersville<br>Economic<br>Development<br>TIF |
|  | General      | Road Use<br>Tax |  |
| REVENUES   |              |                 |  |
| Property tax   | \$ 1,124,459 | \$ -            | \$ -   |
| Tax increment financing                                      | -            | -               | 257,506                                      |
| Other city tax   | 259,940      | -               | -  |
| Licenses and permits   | 17,279       | -               | -  |
| Use of money and property                                    | 87,466       | -               | 11,614                                       |
| Intergovernmental  | 36,023       | 345,738         | -  |
| Charges for service  | 234,688      | -               | -  |
| Special assessments  | -            | -               | -  |
| Miscellaneous  | 69,055       | -               | -  |
| Total Revenues   | 1,828,910    | 345,738         | 269,120                                      |
| EXPENDITURES   |              |                 |  |
| Operating:   |              |                 |  |
| Public safety  | 796,785      | 38,617          | -  |
| Public works   | 136,255      | 334,636         | -  |
| Health and social services                                   | 1,000        | -               | -  |
| Culture and recreation                                       | 695,987      | -               | -  |
| Community and economic development                           | 6,311        | -               | 1,111,702                                    |
| General government   | 301,154      | -               | -  |
| Debt service   | -            | -               | 97,995                                       |
| Capital projects   | -            | -               | -  |
| Total Expenditures   | 1,937,492    | 373,253         | 1,209,697                                    |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | (108,582)    | (27,515)        | (940,577)                                    |
| OTHER FINANCING SOURCES (USES)                               |              |                 |  |
| Proceeds from issuance of debt                               | -            | -               | -  |
| Discount on debt issuance                                    | -            | -               | -  |
| Transfers in   | -            | -               | 600,000                                      |
| Transfers out  | -            | -               | -  |
| Sale of capital assets                                       | 505          | -               | -  |
| Total Other Financing Sources (Uses)                         | 505          | -               | 600,000                                      |
| NET CHANGE IN FUND BALANCES                                  | (108,077)    | (27,515)        | (340,577)                                    |
| FUND BALANCES (DEFICIT), BEGINNING OF YEAR                   | 724,438      | 238,575         | 613,781                                      |
| FUND BALANCES, END OF YEAR                                   | \$ 616,361   | \$ 211,060      | \$ 273,204                                   |

See notes to financial statements.

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|                   | Capital Projects    |                   | Nonmajor         |                     |
|-------------------|---------------------|-------------------|------------------|---------------------|
| Local Option      | Capital             | Debt              | Governmental     |                     |
| Sales Tax         | Improvements        | Service           | Funds            | Total               |
| \$ -              | \$ -                | \$ 261,111        | \$ -             | \$ 1,385,570        |
| -                 | -                   | -                 | -                | 257,506             |
| 377,001           | -                   | 4,500             | -                | 641,441             |
| -                 | -                   | -                 | -                | 17,279              |
| 11,211            | 12,802              | -                 | 1,619            | 124,712             |
| -                 | -                   | -                 | -                | 381,761             |
| -                 | -                   | -                 | 4,905            | 239,593             |
| -                 | 7,873               | -                 | -                | 7,873               |
| -                 | -                   | -                 | -                | 69,055              |
| <u>388,212</u>    | <u>20,675</u>       | <u>265,611</u>    | <u>6,524</u>     | <u>3,124,790</u>    |
| -                 | -                   | -                 | 30,493           | 865,895             |
| -                 | -                   | -                 | -                | 470,891             |
| -                 | -                   | -                 | -                | 1,000               |
| -                 | -                   | -                 | 7,084            | 703,071             |
| -                 | -                   | -                 | -                | 1,118,013           |
| -                 | -                   | -                 | -                | 301,154             |
| -                 | -                   | 942,109           | -                | 1,040,104           |
| -                 | 427,938             | -                 | -                | 427,938             |
| -                 | <u>427,938</u>      | <u>942,109</u>    | <u>37,577</u>    | <u>4,928,066</u>    |
| <u>388,212</u>    | <u>(407,263)</u>    | <u>(676,498)</u>  | <u>(31,053)</u>  | <u>(1,803,276)</u>  |
| -                 | 4,275,000           | 655,000           | -                | 4,930,000           |
| -                 | (36,974)            | -                 | -                | (36,974)            |
| -                 | 354,000             | -                 | -                | 954,000             |
| (410,521)         | (600,000)           | -                 | -                | (1,010,521)         |
| -                 | -                   | -                 | -                | 505                 |
| <u>(410,521)</u>  | <u>3,992,026</u>    | <u>655,000</u>    | <u>-</u>         | <u>4,837,010</u>    |
| (22,309)          | 3,584,763           | (21,498)          | (31,053)         | 3,033,734           |
| <u>690,868</u>    | <u>(245,933)</u>    | <u>132,054</u>    | <u>54,814</u>    | <u>2,208,597</u>    |
| <u>\$ 668,559</u> | <u>\$ 3,338,830</u> | <u>\$ 110,556</u> | <u>\$ 23,761</u> | <u>\$ 5,242,331</u> |

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## **CITY OF DYERSVILLE, IOWA**

**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit F**

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Net change in fund balances - total governmental funds (page 25) \$ 3,033,734

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays are reported as expenditures in governmental funds.  
However, in the Statement of Activities, the cost of capital assets is  
allocated over their estimated useful lives as depreciation expense. In  
the current period, these amounts are:

|   |                  |        |
|---|------------------|--------|
| Capital assets expended in governmental funds | \$ 400,055       |        |
| Depreciation expense                          | <u>(314,136)</u> | 85,919 |

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales, trade-ins, and donations) is to decrease net assets. (6,317)

Because some revenues will not be collected for several months after the  
City's fiscal year end, they are not considered "available" revenues and  
are deferred in the governmental funds, as follows:

|              |         |
|--------------|---------|
| Property tax | (1,437) |
|--------------|---------|

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds, but issuing debt increases long-term liabilities in the  
Statement of Net Assets. Repayment of long-term liabilities is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities  
in the Statement of Net Assets. Also, governmental funds report the effect of  
issuance cost, premiums, discounts and similar items when debt is first  
issued, whereas these amounts are deferred and amortized in the Statement  
of Activities. The effect of these items is as follows:

|   |                |             |
|---|----------------|-------------|
| Issued                                    | (4,930,000)    |             |
| Issuance costs, current year amortization | (1,710)        |             |
| Repaid                                    | <u>969,234</u> | (3,962,476) |

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and, therefore, are not reported as  
expenditures in governmental funds, as follows:

|                            |                 |                 |
|----------------------------|-----------------|-----------------|
| Compensated absences       | (11,286)        |                 |
| Interest on long-term debt | <u>(17,882)</u> | <u>(29,168)</u> |

Change in net assets of governmental activities (page 19) \$ (879,745)

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2008**

|  | Business-type Activities - Enterprise Funds |                             |                 |                    |
|--|---|-----------------------------|-----------------|--------------------|
|  | Major                                       |                             | Nonmajor        | Total              |
|  | Water<br>Utility                            | Sewage<br>Disposal<br>Works | Solid<br>Waste  |                    |
| <b>ASSETS</b>  |   |                             |                 |                    |
| <b>CURRENT ASSETS</b>                                |   |                             |                 |                    |
| Cash and pooled cash investments                     | \$ 116,570                                  | \$ -                        | \$ 52,186       | \$ 168,756         |
| Accounts receivable                                  | 78,180                                      | 94,710                      | 23,973          | 196,863            |
| Inventories  | 26,327                                      | -                           | -               | 26,327             |
| Due from other funds                                 | 2,221,985                                   | 1,009,089                   | -               | 3,231,074          |
| Total Current Assets                                 | <u>2,443,062</u>                            | <u>1,103,799</u>            | <u>76,159</u>   | <u>3,623,020</u>   |
| <b>NONCURRENT ASSETS</b>                             |   |                             |                 |                    |
| Restricted assets - cash and pooled cash investments | <u>23,142</u>                               | <u>-</u>                    | <u>-</u>        | <u>23,142</u>      |
| Deferred charges                                     | <u>4,710</u>                                | <u>15,525</u>               | <u>-</u>        | <u>20,235</u>      |
| Capital assets:                                      |   |                             |                 |                    |
| Land   | 66,750                                      | 74,530                      | -               | 141,280            |
| Machinery and equipment                              | 199,250                                     | 182,118                     | 59,365          | 440,733            |
| Meters   | 45,308                                      | -                           | -               | 45,308             |
| Wells  | 532,236                                     | -                           | -               | 532,236            |
| Distribution system                                  | 3,990,876                                   | -                           | -               | 3,990,876          |
| Sewer system   | -   | 6,020,124                   | -               | 6,020,124          |
| Accumulated depreciation                             | <u>(1,642,855)</u>                          | <u>(1,529,940)</u>          | <u>(39,335)</u> | <u>(3,212,130)</u> |
| Net Capital Assets                                   | <u>3,190,565</u>                            | <u>4,746,832</u>            | <u>20,030</u>   | <u>7,957,427</u>   |
| Total Noncurrent Assets                              | <u>3,218,417</u>                            | <u>4,762,357</u>            | <u>20,030</u>   | <u>8,000,804</u>   |
| Total Assets   | <u>5,661,479</u>                            | <u>5,866,156</u>            | <u>96,189</u>   | <u>11,623,824</u>  |

|  | Business-type Activities - Enterprise Funds |                             |                  |                     |
|--|---|-----------------------------|------------------|---------------------|
|  | Major                                       |                             | Nonmajor         | Total               |
|  | Water<br>Utility                            | Sewage<br>Disposal<br>Works | Solid<br>Waste   |                     |
| <b>LIABILITIES</b>   |   |                             |                  |                     |
| <b>CURRENT LIABILITIES</b>   |   |                             |                  |                     |
| Accounts payable   | \$ 6,374                                    | \$ 7,703                    | \$ 14,785        | \$ 28,862           |
| Accrued interest payable   | 12,012                                      | 10,729                      | -                | 22,741              |
| Salaries and benefits payable                                      | 1,900                                       | 1,782                       | -                | 3,682               |
| Unearned revenue   | 6,652                                       | -                           | -                | 6,652               |
| Due to other funds   | -   | 611,292                     | -                | 611,292             |
| Capital lease purchase agreement                                   | 7,625                                       | 7,625                       | -                | 15,250              |
| Notes payable  | 60,000                                      | 30,000                      | -                | 90,000              |
| General obligation bonds payable                                   | -   | 13,500                      | -                | 13,500              |
| Revenue bonds payable  | 38,000                                      | 97,000                      | -                | 135,000             |
| Compensated absences   | 11,187                                      | 14,147                      | 1,207            | 26,541              |
| Total Current Liabilities  | <u>143,750</u>                              | <u>793,778</u>              | <u>15,992</u>    | <u>953,520</u>      |
| <b>CURRENT LIABILITIES PAYABLE<br/>FROM RESTRICTED ASSETS</b>      |   |                             |                  |                     |
| Customer deposits payable  | <u>20,118</u>                               | <u>-</u>                    | <u>-</u>         | <u>20,118</u>       |
| <b>NONCURRENT LIABILITIES</b>                                      |   |                             |                  |                     |
| Capital lease purchase agreement                                   | 43,684                                      | 43,684                      | -                | 87,368              |
| Notes payable  | 2,175,000                                   | 985,000                     | -                | 3,160,000           |
| General obligation bonds payable (net of<br>unamortized discounts) | -   | 11,541                      | -                | 11,541              |
| Revenue bonds payable  | <u>606,000</u>                              | <u>1,667,000</u>            | <u>-</u>         | <u>2,273,000</u>    |
| Total Noncurrent Liabilities                                       | <u>2,824,684</u>                            | <u>2,707,225</u>            | <u>-</u>         | <u>5,531,909</u>    |
| Total Liabilities  | <u>2,988,552</u>                            | <u>3,501,003</u>            | <u>15,992</u>    | <u>6,505,547</u>    |
| <b>NET ASSETS</b>  |   |                             |                  |                     |
| Invested in capital assets, net of related debt                    | 2,495,257                                   | 2,906,483                   | 20,030           | 5,421,770           |
| Unrestricted   | <u>177,670</u>                              | <u>(541,330)</u>            | <u>60,167</u>    | <u>(303,493)</u>    |
| Total Net Assets   | <u>\$ 2,672,927</u>                         | <u>\$ 2,365,153</u>         | <u>\$ 80,197</u> | <u>\$ 5,118,277</u> |

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit H**

|  | Business-type Activities - Enterprise Funds |                             |                |              |
|--|---|-----------------------------|----------------|--------------|
|  | Major                                       |                             | Nonmajor       | Total        |
|  | Water<br>Utility                            | Sewage<br>Disposal<br>Works | Solid<br>Waste |              |
| OPERATING REVENUES                     |   |                             |                |              |
| Charges for sales and services         | \$ 574,668                                  | \$ 660,324                  | \$ 190,720     | \$ 1,425,712 |
| Other                                  | 1,550                                       | 3,052                       | -              | 4,602        |
| Total Operating Revenues               | 576,218                                     | 663,376                     | 190,720        | 1,430,314    |
| OPERATING EXPENSES                     |   |                             |                |              |
| Employee expense                       | 96,746                                      | 103,606                     | 10,592         | 210,944      |
| Utilities                              | 39,403                                      | 40,984                      | -              | 80,387       |
| Repair and maintenance                 | 119,414                                     | 117,951                     | -              | 237,365      |
| Supplies and services                  | 34,451                                      | 114,536                     | 163,157        | 312,144      |
| Insurance                              | 9,911                                       | 25,170                      | -              | 35,081       |
| Depreciation                           | 107,232                                     | 143,004                     | 10,206         | 260,442      |
| Total Operating Expenses               | 407,157                                     | 545,251                     | 183,955        | 1,136,363    |
| OPERATING INCOME                       | 169,061                                     | 118,125                     | 6,765          | 293,951      |
| NONOPERATING REVENUES (EXPENSES)       |   |                             |                |              |
| Investment earnings                    | 3,748                                       | 1,702                       | -              | 5,450        |
| Interest expense                       | (35,039)                                    | (84,138)                    | -              | (119,177)    |
| Bond issuance cost                     | (17,286)                                    | (8,592)                     | -              | (25,878)     |
| Total Nonoperating Revenues (Expenses) | (48,577)                                    | (91,028)                    | -              | (139,605)    |
| INCOME BEFORE TRANSFERS                | 120,484                                     | 27,097                      | 6,765          | 154,346      |
| Transfers in                           | -   | 56,521                      | -              | 56,521       |
| CHANGE IN NET ASSETS                   | 120,484                                     | 83,618                      | 6,765          | 210,867      |
| NET ASSETS, BEGINNING                  | 2,552,443                                   | 2,281,535                   | 73,432         | 4,907,410    |
| NET ASSETS, ENDING                     | \$ 2,672,927                                | \$ 2,365,153                | \$ 80,197      | \$ 5,118,277 |

See notes to financial statements.



**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit I**

|   | Business-type Activities - Enterprise Funds |                             |                |              |
|---|---|-----------------------------|----------------|--------------|
|   | Major                                       |                             | Nonmajor       | Total        |
|   | Water<br>Utility                            | Sewage<br>Disposal<br>Works | Solid<br>Waste |              |
| CASH FLOWS FROM OPERATING ACTIVITIES                          |   |                             |                |              |
| Cash received from customers                                  | \$ 563,430                                  | \$ 658,834                  | \$ 190,578     | \$ 1,412,842 |
| Cash payments to suppliers for goods and services             | (216,100)                                   | (480,672)                   | (148,853)      | (845,625)    |
| Cash payments to employees for services                       | (100,407)                                   | (107,894)                   | (10,739)       | (219,040)    |
| Other operating receipts                                      | 1,500                                       | 3,052                       | -              | 4,552        |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                     | 248,423                                     | 73,320                      | 30,986         | 352,729      |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES               |   |                             |                |              |
| Transfers (to) from other funds                               | (2,218,236)                                 | 880,839                     | -              | 3,099,075    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES      |   |                             |                |              |
| Acquisition and construction of capital assets                | (90,186)                                    | (10,785)                    | -              | (100,971)    |
| Proceeds from issuance of debt                                | 2,218,236                                   | 1,007,387                   | -              | 3,225,623    |
| Payment of debt principal                                     | (27,470)                                    | (103,641)                   | -              | (131,111)    |
| Interest paid   | (41,634)                                    | (87,144)                    | -              | (128,778)    |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | 2,058,946                                   | 805,817                     | -              | 2,864,763    |
| CASH FLOWS FROM INVESTING ACTIVITIES                          |   |                             |                |              |
| Interest received   | 3,748                                       | 1,702                       | -              | 5,450        |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                     | 92,931                                      | -                           | 30,986         | 123,917      |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                  | 46,781                                      | -                           | 21,200         | 67,981       |
| CASH AND CASH EQUIVALENTS, END OF YEAR                        | \$ 139,712                                  | \$ -                        | \$ 52,186      | \$ 191,898   |

(continued)

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2008**

**Exhibit I**  
**(continued)**

|   | Business-type Activities - Enterprise Funds |                             |                |            |
|---|---|-----------------------------|----------------|------------|
|   | Major                                       |                             | Nonmajor       |            |
|   | Water<br>Utility                            | Sewage<br>Disposal<br>Works | Solid<br>Waste | Total      |
| RECONCILIATION OF OPERATING INCOME<br>TO NET CASH PROVIDED BY<br>OPERATING ACTIVITIES   |   |                             |                |            |
| Operating income  | \$ 169,061                                  | \$ 118,125                  | \$ 6,765       | \$ 293,951 |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities:  |   |                             |                |            |
| Depreciation  | 107,232                                     | 143,004                     | 10,206         | 260,442    |
| Change in assets and liabilities:   |   |                             |                |            |
| Increase in accounts receivable   | (524)                                       | (1,490)                     | (143)          | (2,157)    |
| Decrease in inventories and<br>prepaid items  | 15,831                                      | 6,352                       | -              | 22,183     |
| Increase (decrease) in due from other funds   | 5,298                                       | (1,702)                     | -              | 3,596      |
| Decrease in due to other funds  | -   | (182,327)                   | -              | (182,327)  |
| Increase (decrease) in accounts payable   | (34,050)                                    | (4,354)                     | 14,286         | (24,118)   |
| Decrease in unearned revenue  | (11,239)                                    | -                           | -              | (11,239)   |
| Decrease in accrued liabilities   | (3,136)                                     | (4,288)                     | (128)          | (7,552)    |
| Total adjustments   | 79,412                                      | (44,805)                    | 24,221         | 58,828     |
| NET CASH PROVIDED BY<br>OPERATING ACTIVITIES  | \$ 248,473                                  | \$ 73,320                   | \$ 30,986      | \$ 352,779 |
| <b>Reconciliation of cash and cash equivalents at<br/>year end to specific assets included on the<br/>Statement of Net Assets</b> |   |                             |                |            |
| Current assets:   |   |                             |                |            |
| Cash and pooled cash investments  | \$ 116,570                                  | \$ -                        | \$ 52,186      | \$ 168,756 |
| Restricted assets:  |   |                             |                |            |
| Cash and pooled cash investments  | 23,142                                      | -                           | -              | 23,142     |
| Cash and cash equivalents at year end   | \$ 139,712                                  | \$ -                        | \$ 52,186      | \$ 191,898 |

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Dyersville, Iowa, is a political subdivision of the State of Iowa located in Dubuque and Delaware counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates and provides water, sewer, and sanitation utilities.

The financial statements of the City of Dyersville, Iowa, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board.

*Reporting Entity*

For financial reporting purposes, the City of Dyersville, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

*Jointly Governed Organization*

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of Bi-County Ambulance.

*Basis of Presentation*

**Government-wide Financial Statements** – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Restricted net assets – result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Fund Financial Statements** – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

**Special Revenue Funds** –

The Road Use Tax Fund is used to account for state revenues allocated to the City for the maintenance and improvement of City streets.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account revenue received from a 1% sales tax to be used for the reduction of future borrowings and property tax relief.

**Capital Projects Fund** – The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements.

**Debt Service Fund** – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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The City reports the following major proprietary funds:

**Enterprise Funds**

The Water Utility Fund is used to account for the operations of the City's water facilities and services.

The Sewage Disposal Works Fund is used to account for the operations of the City's sewage disposal works and services.

*Measurement Focus and Basis of Accounting*

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

*Assets, Liabilities, and Fund Equity*

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2008, and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2007.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>               | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure                   | \$ 5,000      |
| Land, buildings and improvements | 5,000         |
| Equipment and vehicles           | 5,000         |

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>    | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------|--|
| Buildings             | 40 – 50  |
| Building improvements | 20 – 50  |
| Infrastructure        | 30 – 50  |
| Equipment             | 2 – 20   |
| Vehicles              | 3 – 10   |

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Unearned revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets. Bond issuance costs are generally reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or equally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, debt service and business-type activities functions.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

*Deposits.* The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.



**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 was as follows:

|   | Balance<br>Beginning of<br>Year | Increases | Decreases | Balance<br>End of<br>Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| <b>Governmental activities:</b>             |                                 |           |           |                           |
| Capital assets not being depreciated:       |                                 |           |           |                           |
| Land  | \$ 1,321,480                    | \$ 38,535 | \$ -      | \$ 1,360,015              |
| Construction in progress                    | -                               | 171,770   | -         | 171,770                   |
| Total capital assets not being depreciated  | 1,321,480                       | 210,305   | -         | 1,531,785                 |
| Capital assets being depreciated            |                                 |           |           |                           |
| Buildings                                   | 3,466,182                       | -         | -         | 3,466,182                 |
| Improvements other than buildings           | 278,640                         | -         | -         | 278,640                   |
| Machinery and equipment                     | 1,627,272                       | 82,484    | 29,520    | 1,680,236                 |
| Infrastructure                              | 2,628,937                       | 107,266   | -         | 2,736,203                 |
| Total capital assets being depreciated      | 8,001,031                       | 189,750   | 29,520    | 8,161,261                 |
| Less accumulated depreciation for:          |                                 |           |           |                           |
| Buildings                                   | 929,745                         | 98,426    | -         | 1,028,171                 |
| Improvements other than buildings           | 144,043                         | 13,121    | -         | 157,164                   |
| Machinery and equipment                     | 689,575                         | 147,594   | 23,203    | 813,966                   |
| Infrastructure                              | 112,975                         | 54,995    | -         | 167,970                   |
| Total accumulated depreciation              | 1,876,338                       | 314,136   | 23,203    | 2,167,271                 |
| Total capital assets being depreciated, net | 6,124,693                       | (124,386) | 6,317     | 5,993,990                 |
| Governmental activities capital assets, net | \$ 7,446,173                    | \$ 85,919 | \$ 6,317  | \$ 7,525,775              |

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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|   | Balance<br>Beginning of<br>Year | Increases           | Decreases | Balance<br>End of<br>Year |
|---|---------------------------------|---------------------|-----------|---------------------------|
| <b>Business-type activities:</b>                |                                 |                     |           |                           |
| Capital assets not being depreciated:           |                                 |                     |           |                           |
| Land  | \$ 140,280                      | \$ -                | \$ -      | \$ 140,280                |
| Capital assets being depreciated:               |                                 |                     |           |                           |
| Equipment and vehicles                          | 472,969                         | 21,569              | 8,497     | 486,041                   |
| Infrastructure, water and sewer<br>network      | 10,463,835                      | 79,401              | -         | 10,543,236                |
| Total capital assets being<br>depreciated       | 10,936,804                      | 100,970             | 8,497     | 11,029,277                |
| Less accumulated depreciation for:              |                                 |                     |           |                           |
| Equipment and vehicles                          | 195,570                         | 48,454              | 8,497     | 235,527                   |
| Infrastructure, water and sewer<br>network      | 2,764,615                       | 211,988             | -         | 2,976,603                 |
| Total accumulated depreciation                  | 2,960,185                       | 260,442             | 8,497     | 3,212,130                 |
| Total capital assets being<br>depreciated, net  | 7,976,619                       | (159,472)           | -         | 7,817,147                 |
| Business-type activities capital<br>assets, net | <u>\$ 8,116,899</u>             | <u>\$ (159,472)</u> | <u>-</u>  | <u>\$ 7,957,427</u>       |

Depreciation expense was charged to functions of the City, as follows:

|   |                   |
|---|-------------------|
| Governmental activities:                              |                   |
| Public safety   | \$ 66,081         |
| Public works  | 43,472            |
| Culture and recreation                                | 123,895           |
| General government                                    | <u>80,688</u>     |
| Total depreciation expense - governmental activities  | <u>\$ 314,136</u> |
| Business-type activities:                             |                   |
| Water   | \$ 107,232        |
| Sewage disposal works                                 | 143,004           |
| Solid waste   | <u>10,206</u>     |
| Total depreciation expense - business-type activities | <u>\$ 260,442</u> |

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 4 – CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

| <u>Governmental Activities</u> | <u>Capital<br/>Lease<br/>Purchase<br/>Agreements</u> | <u>General<br/>Obligation<br/>Bonds/Notes</u> | <u>Compensated<br/>Absences</u> | <u>Total</u>        |
|--------------------------------|--|---|---------------------------------|---------------------|
| Balance beginning of year      | \$ 58,543  | \$ 1,620,000                                  | \$ 95,216                       | \$ 1,773,759        |
| Increases                      | -  | 4,930,000                                     | 106,502                         | 5,036,502           |
| Decreases                      | <u>7,234</u>   | <u>962,000</u>                                | <u>95,216</u>                   | <u>1,064,450</u>    |
| Balance end of year            | <u>\$ 51,309</u>                                     | <u>\$ 5,588,000</u>                           | <u>\$ 106,502</u>               | <u>\$ 5,745,811</u> |
| Due within one year            | <u>\$ 7,625</u>                                      | <u>\$ 406,500</u>                             | <u>\$ 106,502</u>               | <u>\$ 520,627</u>   |

For governmental activities, compensated absences are generally liquidated by the General Fund.

| <u>Business-type Activities</u> | <u>Capital<br/>Lease<br/>Purchase<br/>Agreements</u> | <u>Revenue<br/>Bonds</u> | <u>General<br/>Obligation<br/>Bonds/Notes</u> | <u>Compensated<br/>Absences</u> | <u>Total</u>        |
|---------------------------------|--|--------------------------|---|---------------------------------|---------------------|
| Balance beginning of year       | \$ 117,086   | \$ 2,537,000             | \$ 40,000                                     | \$ 22,409                       | \$ 2,716,495        |
| Increases                       | -  | -                        | 3,250,000                                     | 26,541                          | 3,276,541           |
| Decreases                       | <u>14,468</u>  | <u>129,000</u>           | <u>13,000</u>                                 | <u>22,409</u>                   | <u>178,877</u>      |
| Balance end of year             | <u>\$ 102,618</u>                                    | <u>\$ 2,408,000</u>      | <u>\$ 3,277,000</u> (1)                       | <u>\$ 26,541</u>                | <u>\$ 5,814,159</u> |
| Due within one year             | <u>\$ 15,250</u>                                     | <u>\$ 135,000</u>        | <u>\$ 103,500</u>                             | <u>\$ 26,541</u>                | <u>\$ 280,291</u>   |

(1) Bonds were sold at discount; unamortized discount at June 30, 2008 totaled \$1,959.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease four trucks with historical costs of \$306,167, accumulated depreciation of \$50,972, and a net book value of \$255,195. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.16% to 5.48% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

| <u>Governmental Activities</u>      | <u>Year Ending June 30,</u>                 | <u>Trucks</u>     |
|-------------------------------------|---|-------------------|
|                                     | 2009  | \$ 10,199         |
|                                     | 2010  | 10,199            |
|                                     | 2011  | 10,199            |
|                                     | 2012  | 10,199            |
|                                     | 2013  | 8,969             |
|                                     | 2014-2015                                   | <u>10,584</u>     |
|                                     | Total minimum lease payments                | 60,349            |
|                                     | Less amount representing interest           | <u>(9,040)</u>    |
|                                     | Present value of net minimum lease payments | <u>\$ 51,309</u>  |
| <br><u>Business-type Activities</u> | <br><u>Year Ending June 30,</u>             | <br><u>Trucks</u> |
|                                     | 2009  | \$ 20,398         |
|                                     | 2010  | 20,398            |
|                                     | 2011  | 20,398            |
|                                     | 2012  | 20,398            |
|                                     | 2013  | 17,938            |
|                                     | 2014-2015                                   | <u>21,166</u>     |
|                                     | Total minimum lease payments                | 120,696           |
|                                     | Less amount representing interest           | <u>(18,078)</u>   |
|                                     | Present value of net minimum lease payments | <u>\$ 102,618</u> |

General Obligation Bonds/Notes

Governmental activities:

Five issues of unmatured general obligation bonds/notes, totaling \$5,588,000, are outstanding at June 30, 2008. General obligation bonds/notes bear interest at rates ranging from 0% to 4.90% per annum and mature in varying annual amounts, ranging from \$13,500 to \$420,000, with the final maturities due in the year ending June 30, 2027.

Business-type activities:

Three issues of unmatured general obligation bonds/notes, totaling \$3,277,000, are outstanding at June 30, 2008. General obligation bonds/notes bear interest at rates ranging from 1.40% to 4.90% per annum and mature in varying annual amounts, ranging from \$13,500 to \$185,000, with the final maturities due in the year ending June 30, 2027.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Details of general obligation bonds/notes payable at June 30, 2008 are as follows:

Governmental activities:

|                                  | Date of<br>Issue | Interest<br>Rates | Final<br>Due<br>Date | Annual<br>Payments | Amount<br>Originally<br>Issued | Amount<br>Outstanding<br>End of Year |
|----------------------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| General obligation bonds:        |                  |                   |                      |                    |                                |                                      |
| Sewer improvement                | 08/01/03         | 1.40 - 3.10%      | 06/01/10             | \$ 13,500          | 89,500                         | 27,000                               |
| Aquatic Center                   | 08/01/03         | 1.40 - 3.10%      | 06/01/10             | 100,000 - 108,000  | 716,000                        | 216,000                              |
| Total general obligation bonds   |                  |                   |                      |                    |                                | 243,000                              |
| General obligation notes:        |                  |                   |                      |                    |                                |                                      |
| Fire Station                     | 08/03/98         | 0%                | 06/01/09             | 20,000             | 200,000                        | 20,000                               |
| Economic development             | 10/01/03         | 2.15 - 4.00%      | 06/01/14             | 55,000 - 75,000    | 600,000                        | 395,000                              |
| Refunding & economic development | 03/18/08         | 2.74 - 4.90%      | 06/01/27             | 360,000 - 420,000  | 4,930,000                      | 4,930,000                            |
| Total general obligation notes   |                  |                   |                      |                    |                                | 5,345,000                            |
| Total governmental activities    |                  |                   |                      |                    |                                | \$ 5,588,000                         |

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

| Year<br>Ending<br>June 30, | Principal    | Interest     | Total        |
|----------------------------|--------------|--------------|--------------|
| 2009                       | \$ 406,500   | 250,392      | 656,892      |
| 2010                       | 426,500      | 206,829      | 633,329      |
| 2011                       | 310,000      | 193,857      | 503,857      |
| 2012                       | 330,000      | 184,168      | 514,168      |
| 2013                       | 345,000      | 173,318      | 518,318      |
| 2014-2018                  | 1,310,000    | 698,692      | 2,008,692    |
| 2019-2023                  | 1,245,000    | 461,880      | 1,706,880    |
| 2024-2027                  | 1,215,000    | 150,005      | 1,365,005    |
| Total                      | \$ 5,588,000 | \$ 2,319,141 | \$ 7,907,141 |

Business-type activities:

|                                | Date of<br>Issue | Interest<br>Rates | Final<br>Due<br>Date | Annual<br>Payments | Amount<br>Originally<br>Issued | Amount<br>Outstanding<br>End of Year |
|--------------------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| General obligation notes:      |                  |                   |                      |                    |                                |                                      |
| Sewer improvements             | 08/01/03         | 1.40-3.10%        | 06/01/10             | \$ 13,500          | 89,500                         | 27,000                               |
| Sewer improvements             | 03/18/08         | 2.74-4.90%        | 06/01/27             | 70,000 - 85,000    | 1,015,000                      | 1,015,000                            |
| Well improvements              | 03/18/08         | 2.74-4.90%        | 06/01/27             | 155,000 - 185,000  | 2,235,000                      | 2,235,000                            |
| Total general obligation notes |                  |                   |                      |                    |                                | \$ 3,277,000                         |

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

A summary of the annual general obligation debt principal and interest requirements to maturity by year is as follows:

| Year<br>Ending<br>June 30, | Principal    | Interest     | Total        |
|----------------------------|--------------|--------------|--------------|
| 2009                       | 103,500      | 156,343      | 259,843      |
| 2010                       | 128,500      | 131,309      | 259,809      |
| 2011                       | 120,000      | 127,555      | 247,555      |
| 2012                       | 120,000      | 123,955      | 243,955      |
| 2013                       | 130,000      | 120,175      | 250,175      |
| 2014-2018                  | 790,000      | 524,285      | 1,314,285    |
| 2019-2023                  | 965,000      | 353,620      | 1,318,620    |
| 2024-2027                  | 920,000      | 112,835      | 1,032,835    |
| Total                      | \$ 3,277,000 | \$ 1,650,077 | \$ 4,927,077 |
| Less:                      |              |              |              |
| Unamortized discount       | (1,959)      |              |              |
| Total                      | \$ 3,275,041 |              |              |

**Revenue Bonds**

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,269,000 in sewer revenue bonds issued in August 2001. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$2,334,292. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$166,401 and \$261,129, respectively. Annual principal and interest payments on the above sewer revenue bonds are expected to require 64 percent of net revenues plus depreciation expense.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 in water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the water well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$799,200. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$57,430 and \$276,293, respectively. Annual principal and interest payments on the above water revenue bonds are expected to require 21 percent of net revenues plus depreciation expense.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,408,000, are outstanding at June 30, 2008. These bonds bear interest at rates ranging from 3.00% to 4.30% per annum and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- 1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- 2) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2008, the City was in compliance with the revenue bond provisions.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

Details of the revenue bonds payable at June 30, 2008 are as follows:

Business-type activities:

|                     | Date of<br>Issue | Interest<br>Rates | Final<br>Due<br>Date | Annual<br>Payments | Amount<br>Originally<br>Issued | Amount<br>Outstanding<br>End of Year |
|---------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| Revenue bonds:      |                  |                   |                      |                    |                                |                                      |
| Sewer improvements  | 08/01/01         | 3.92%             | 06/01/22             | \$ 34,000-61,000   | \$ 862,751                     | \$ 670,000                           |
| Sewer improvements  | 08/01/01         | 3.92%             | 06/01/22             | 25,000-44,000      | 627,500                        | 487,000                              |
| Sewer improvements  | 08/01/01         | 3.92%             | 06/01/22             | 18,000-21,000      | 444,749                        | 345,000                              |
| Sewer improvements  | 08/01/01         | 4.30%             | 06/01/22             | 13,000-24,000      | 334,000                        | 262,000                              |
| Well improvements   | 02/08/02         | 3.00%             | 06/01/22             | 33,000-51,000      | 785,000                        | 596,000                              |
| Well improvements   | 04/16/03         | 3.00%             | 06/01/22             | 3,000-4,000        | 64,000                         | 48,000                               |
| Total revenue bonds |                  |                   |                      |                    |                                | <u>\$ 2,408,000</u>                  |

A summary of the annual revenue bonds principal and interest requirements to maturity by year is as follows:

| Year<br>Ending<br>June 30, | Principal           | Interest          | Total               |
|----------------------------|---------------------|-------------------|---------------------|
| 2009                       | 135,000             | 89,464            | 224,464             |
| 2010                       | 140,000             | 84,469            | 224,469             |
| 2011                       | 144,000             | 79,283            | 223,283             |
| 2012                       | 149,000             | 73,949            | 222,949             |
| 2013                       | 155,000             | 68,424            | 223,424             |
| 2014-2018                  | 868,000             | 251,433           | 1,119,433           |
| 2019-2022                  | <u>817,000</u>      | <u>77,470</u>     | <u>894,470</u>      |
| Total                      | <u>\$ 2,408,000</u> | <u>\$ 724,492</u> | <u>\$ 3,132,492</u> |



**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

| Transfer to           | Transfer from          | Amount              |
|-----------------------|------------------------|---------------------|
| Special Revenue:      | Capital Projects:      |                     |
| Dyersville Economic   | Capital Improvements   | \$ 600,000          |
| Development TIF       |                        |                     |
| Capital Projects:     | Special Revenue:       |                     |
| Capital Improvements  | Local Option Sales Tax | 354,000             |
| Enterprise:           | Special Revenue:       |                     |
| Sewage Disposal Works | Local Option Sales Tax | 56,521              |
| Total                 |                        | <u>\$ 1,010,521</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

| Receivable Fund        | Payable Fund          | Amount              |
|------------------------|-----------------------|---------------------|
| General                | Enterprise:           |                     |
|                        | Sewage Disposal Works | \$ 611,292          |
| Special Revenue:       | Special Revenue:      |                     |
| Local Option Sales Tax | CDBG                  | 87,587              |
| Enterprise:            | Capital Projects:     |                     |
| Sewage Disposal Works  | Capital Improvements  | 1,009,089           |
| Enterprise:            | Capital Projects:     |                     |
| Water Utility          | Capital Improvements  | <u>2,221,985</u>    |
| Total                  |                       | <u>\$ 3,929,953</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Amounts due from the Capital Improvements Fund to the Water and Sewage Disposal Works Funds represent construction projects which will be transferred to the respective funds upon completion.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. The City's contributions to IPERS for the three years ended June 30, 2008, 2007 and 2006 were \$65,404, \$58,783 and \$59,402, respectively, equal to the required contributions for each year.

**NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,462,952 is outstanding at June 30, 2008. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bond principal and interest do not constitute liabilities of the City.

**NOTE 9 – DEFICIT BALANCES**

At June 30, 2008, funds with deficit balances were as follows:

|                  |          |
|------------------|----------|
| Special Revenue: |          |
| CDBG             | \$87,587 |

The City anticipates grant reimbursements for the CDBG Fund.

**NOTE 10 – RISK MANAGEMENT**

The City of Dyersville is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 11 – CONSTRUCTION COMMITMENTS**

The City has entered into a contract totaling \$1,840,974 for the 1st Avenue reconstruction and downtown streetscape. As of June 30, 2008, costs of \$1,748,925 have been incurred against the contract. The balance remaining at June 30, 2008 of \$92,049 is currently being contested with the contractor.

The City has entered into a contract totaling \$129,570 for tennis court construction. As of June 30, 2008, costs of \$8,001 have been incurred against the contract. The balance remaining at June 30, 2008 is \$121,569.

**NOTE 12 – PROSPECTIVE ACCOUNTING CHANGES**

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City. The statements, which might impact the City, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires all intangible assets not specifically excluded by its scope be classified as capital assets.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 13 – OPERATING LEASE**

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expires April 30, 2009, with lease expenditures of \$10,000 for the year ended June 30, 2008.

**NOTE 14 – REBATE AGREEMENTS**

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The actual amount rebated during the year ended June 30, 2008 was \$44,700. The City has agreed to provide tax increment payments in a total amount not exceeding \$1,049,450.

**NOTE 15 – SUBSEQUENT EVENTS**

On September 30, 2008, the City entered into an agreement with KWS, Inc. for the construction of a Traffic Signal for \$179,249.

On October 6, 2008, the City entered into an agreement with Taylor Construction for a bridge deck overlay for \$69,675.

On October 20, 2008, the City entered into an agreement with Landmark Structures for construction of a new water tower for \$1,337,000.

On October 20, 2008, the City entered into an agreement with Anstoetter Construction for the construction of a sewer main to the Industrial Park for \$548,606.

**NOTE 16 – PENDING LITIGATION**

The City is subject to pending litigation. The probability of loss, if any, is not determinable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF DYERSVILLE, IOWA

## BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2008

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total<br>Actual              | Original<br>Budget  | Final<br>Budget        | Variance with Final<br>Budget-Positive<br>(Negative) |
|---|---------------------------------|--------------------------------|------------------------------|---------------------|------------------------|--|
| Receipts:   |                                 |                                |                              |                     |                        |  |
| Property tax  | \$ 1,384,821                    | \$ -                           | \$ 1,384,821                 | \$ 1,366,811        | \$ 1,366,811           | \$ 18,010  |
| Tax increment financing   | 257,415                         | -                              | 257,415                      | 257,401             | 257,401                | 14   |
| Other city tax  | 638,280                         | -                              | 638,280                      | 567,038             | 607,538                | 30,742   |
| Licenses and permits  | 17,479                          | -                              | 17,479                       | 15,100              | 15,100                 | 2,379  |
| Use of money and property   | 116,134                         | 5,450                          | 121,584                      | 54,670              | 75,670                 | 45,914   |
| Intergovernmental   | 381,712                         | -                              | 381,712                      | 374,430             | 386,030                | (4,318)  |
| Charges for service   | 238,136                         | 1,412,319                      | 1,650,455                    | 1,621,644           | 1,624,849              | 25,606   |
| Special assessments   | 7,071                           | -                              | 7,071                        | 200,000             | 12,000                 | (4,929)  |
| Miscellaneous   | 70,264                          | 10,402                         | 80,666                       | 87,300              | 96,200                 | (15,534)   |
| Total receipts  | <u>3,111,312</u>                | <u>1,428,171</u>               | <u>4,539,483</u>             | <u>4,544,394</u>    | <u>4,441,599</u>       | <u>97,884</u>  |
| Disbursements:  |                                 |                                |                              |                     |                        |  |
| Public safety   | 844,289                         | -                              | 844,289                      | 734,647             | 802,147                | (42,142)   |
| Public works  | 466,835                         | -                              | 466,835                      | 433,320             | 473,620                | 6,785  |
| Health and social services  | 1,000                           | -                              | 1,000                        | 1,750               | 1,750                  | 750  |
| Culture and recreation  | 704,129                         | -                              | 704,129                      | 662,345             | 720,057                | 15,928   |
| Community and economic development  | 1,106,311                       | -                              | 1,106,311                    | 54,650              | 1,156,350              | 50,039   |
| General government  | 313,984                         | -                              | 313,984                      | 297,960             | 342,516                | 28,532   |
| Debt service  | 1,040,106                       | 16,763                         | 1,056,869                    | 485,465             | 488,465                | (568,404)  |
| Capital projects  | 405,021                         | -                              | 405,021                      | 237,000             | 606,000                | 200,979  |
| Business-type activities  | -                               | 1,259,685                      | 1,259,685                    | 1,199,634           | 1,246,934              | (12,751)   |
| Total disbursements   | <u>4,881,675</u>                | <u>1,276,448</u>               | <u>6,158,123</u>             | <u>4,106,771</u>    | <u>5,837,839</u>       | <u>(320,284)</u>                                     |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (1,770,363)                     | 151,723                        | (1,618,640)                  | 437,623             | (1,396,240)            | (222,400)  |
| Other financing sources, net  | <u>7,998,057</u>                | <u>145,474</u>                 | <u>8,143,531</u>             | <u>1,000</u>        | <u>8,056,000</u>       | <u>87,531</u>  |
| Excess (deficiency) of receipts and other<br>financing sources over (under)<br>disbursements and other financing uses | 6,227,694                       | 297,197                        | 6,524,891                    | 438,623             | 6,659,760              | (134,869)  |
| Balances beginning of year  | <u>2,242,704</u>                | <u>(716,591)</u>               | <u>1,526,113</u>             | <u>1,460,492</u>    | <u>1,526,113</u>       | <u>-</u>   |
| Balances end of year  | <u>\$ 8,470,398</u>             | <u>\$ (419,394)</u>            | <u>\$ 8,051,004</u>          | <u>\$ 1,899,115</u> | <u>\$ 8,185,873</u>    | <u>\$ (134,869)</u>                                  |
|   |                                 |                                | Proprietary Funds            |                     |                        |  |
| Governmental Funds  |                                 |                                | Enterprise                   |                     |                        |  |
| Budget to GAAP Reconciliation   | Cash<br>Basis                   | Accrual<br>Adjustments         | Modified<br>Accrual<br>Basis | Cash<br>Basis       | Accrual<br>Adjustments | Accrual<br>Basis                                     |
| Revenues  | \$ 3,111,312                    | \$ 13,478                      | \$ 3,124,790                 | \$ 1,428,171        | \$ 7,593               | \$ 1,435,764   |
| Expenditures/expenses   | 4,881,675                       | 46,391                         | 4,928,066                    | 1,276,448           | 4,970                  | 1,281,418  |
| Net   | (1,770,363)                     | (32,913)                       | (1,803,276)                  | 151,723             | 2,623                  | 154,346  |
| Other financing sources, net  | 7,998,057                       | (3,161,047)                    | 4,837,010                    | 145,474             | (88,953)               | 56,521   |
| Beginning fund balances/net assets  | <u>2,242,704</u>                | <u>(34,107)</u>                | <u>2,208,597</u>             | <u>(716,591)</u>    | <u>5,624,001</u>       | <u>4,907,410</u>                                     |
| Ending fund balances/net assets   | <u>\$ 8,470,398</u>             | <u>\$ (3,228,067)</u>          | <u>\$ 5,242,331</u>          | <u>\$ (419,394)</u> | <u>\$ 5,537,671</u>    | <u>\$ 5,118,277</u>                                  |

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2008**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,731,068. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements in the public safety, debt service and business-type activities functions exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**



# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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**CDBG** – This fund is used to account for the use of Community Development Block Grant funds as received from the Iowa Department of Economic Development.

**Library Trust** – This fund is used to account for the donations received for the library and for the use of such donations for library equipment and improvements.

## CAPITAL PROJECTS FUND

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**Capital Equipment** – This fund is used to account for the resources and costs related to the acquisition of significant equipment items.

**CITY OF DYERSVILLE, IOWA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

**Schedule 1**

|                                      | Special Revenue  |                  | Capital Projects     | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|------------------|------------------|----------------------|--|
|                                      | CDBG             | Library<br>Trust | Capital<br>Equipment |  |
| <b>ASSETS</b>                        |                  |                  |                      |  |
| Cash and pooled cash investments     | \$ -             | \$ 52,947        | \$ 58,364            | \$ 111,311                                 |
| Receivables:                         |                  |                  |                      |  |
| Accrued interest                     | -                | -                | 48                   | 48   |
| Due from other governments           | 55,442           | -                | -                    | 55,442                                     |
|                                      |                  |                  |                      |  |
| Total Assets                         | <u>\$ 55,442</u> | <u>\$ 52,947</u> | <u>\$ 58,412</u>     | <u>\$ 166,801</u>                          |
| <b>LIABILITIES AND FUND BALANCES</b> |                  |                  |                      |  |
| <b>LIABILITIES</b>                   |                  |                  |                      |  |
| Accounts payable                     | \$ -             | \$ 11            | \$ -                 | \$ 11                                      |
| Deferred revenue:                    |                  |                  |                      |  |
| Other                                | 55,442           | -                | -                    | 55,442                                     |
| Due to other funds                   | 87,587           | -                | -                    | 87,587                                     |
| Total Liabilities                    | <u>143,029</u>   | <u>11</u>        | <u>-</u>             | <u>143,040</u>                             |
| <b>FUND BALANCES</b>                 |                  |                  |                      |  |
| Unreserved, reported in:             |                  |                  |                      |  |
| Special revenue funds:               |                  |                  |                      |  |
| Designated for Library               | -                | 52,936           | -                    | 52,936                                     |
| Undesignated                         | (87,587)         | -                | -                    | (87,587)                                   |
| Capital projects funds:              |                  |                  |                      |  |
| Undesignated                         | -                | -                | 58,412               | 58,412                                     |
| Total Fund Balances                  | <u>(87,587)</u>  | <u>52,936</u>    | <u>58,412</u>        | <u>23,761</u>                              |
|                                      |                  |                  |                      |  |
| Total Liabilities and Fund Balances  | <u>\$ 55,442</u> | <u>\$ 52,947</u> | <u>\$ 58,412</u>     | <u>\$ 166,801</u>                          |

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICIT)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2008**

Schedule 2

|  | Special Revenue    |                  | Capital Projects     | Total<br>Nonmajor     |
|--|--------------------|------------------|----------------------|-----------------------|
|  | CDBG               | Library<br>Trust | Capital<br>Equipment | Governmental<br>Funds |
| REVENUES   |                    |                  |                      |                       |
| Use of money and property                                    | \$ -               | \$ 1,447         | \$ 172               | \$ 1,619              |
| Charges for service  | -                  | 4,905            | -                    | 4,905                 |
| Total Revenues   | -                  | 6,352            | 172                  | 6,524                 |
| EXPENDITURES   |                    |                  |                      |                       |
| Operating:   |                    |                  |                      |                       |
| Public safety  | 30,493             | -                | -                    | 30,493                |
| Culture and recreation                                       | -                  | 7,084            | -                    | 7,084                 |
| Total Expenditures   | 30,493             | 7,084            | -                    | 37,577                |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | (30,493)           | (732)            | 172                  | (31,053)              |
| FUND BALANCES (DEFICIT),<br>BEGINNING OF YEAR                | (57,094)           | 53,668           | 58,240               | 54,814                |
| FUND BALANCES (DEFICIT), END<br>OF YEAR                      | <u>\$ (87,587)</u> | <u>\$ 52,936</u> | <u>\$ 58,412</u>     | <u>\$ 23,761</u>      |

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA****Schedule 3****SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS**

|                                    | 2008                | 2007                | 2006                | 2005                | 2004                | 2003                | 2002                |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue:                           |                     |                     |                     |                     |                     |                     |                     |
| Property tax                       | \$ 1,385,570        | \$ 1,334,935        | \$ 1,340,550        | \$ 1,347,005        | \$ 1,276,337        | \$ 1,231,585        | \$ 1,187,590        |
| Tax increment financing            | 257,506             | 339,685             | 410,153             | 300,510             | 288,945             | 325,246             | 255,904             |
| Other city tax                     | 641,441             | 633,612             | 549,499             | 535,448             | 541,492             | 56,544              | 484,049             |
| Licenses and permits               | 17,279              | 16,604              | 19,721              | 20,015              | 13,168              | 11,760              | 14,891              |
| Use of money and property          | 124,712             | 92,910              | 67,584              | 52,846              | 62,981              | 78,660              | 114,860             |
| Intergovernmental                  | 381,761             | 368,335             | 664,079             | 454,263             | 1,231,635           | 799,733             | 561,806             |
| Charges for service                | 239,593             | 250,071             | 201,149             | 176,035             | 176,066             | 146,181             | 112,875             |
| Special assessments                | 7,873               | 7,605               | 14,897              | 19,082              | 133,889             | 13,801              | 17,855              |
| Miscellaneous                      | 69,055              | 56,003              | 141,476             | 159,605             | 225,237             | 154,203             | 261,865             |
| Total revenues                     | <u>\$ 3,124,790</u> | <u>\$ 3,099,760</u> | <u>\$ 3,409,108</u> | <u>\$ 3,064,809</u> | <u>\$ 3,949,750</u> | <u>\$ 2,817,713</u> | <u>\$ 3,011,695</u> |
| Expenditure:                       |                     |                     |                     |                     |                     |                     |                     |
| Operating:                         |                     |                     |                     |                     |                     |                     |                     |
| Public safety                      | \$ 865,895          | \$ 895,784          | \$ 764,856          | \$ 822,616          | \$ 1,281,597        | \$ 1,249,182        | \$ 594,142          |
| Public works                       | 470,891             | 443,220             | 474,980             | 461,363             | 689,997             | 509,673             | 666,253             |
| Health and social services         | 1,000               | 800                 | 1,300               | 1,800               | 1,950               | 1,950               | 1,950               |
| Culture and recreation             | 703,071             | 695,435             | 725,205             | 599,303             | 571,754             | 534,236             | 473,287             |
| Community and economic development | 1,118,013           | 16,790              | 19,963              | 94,770              | 25,188              | 21,769              | 15,004              |
| General government                 | 301,154             | 326,609             | 265,260             | 240,516             | 207,899             | 223,680             | 200,445             |
| Debt service                       | 1,040,104           | 453,805             | 483,459             | 598,694             | 1,312,560           | 514,830             | 512,485             |
| Capital projects                   | 427,938             | 246,802             | 133,028             | 1,553,254           | 1,415,084           | 481,928             | 1,559,627           |
| Total expenditures                 | <u>\$ 4,928,066</u> | <u>\$ 3,079,245</u> | <u>\$ 2,868,051</u> | <u>\$ 4,372,316</u> | <u>\$ 5,506,029</u> | <u>\$ 3,537,248</u> | <u>\$ 4,023,193</u> |

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**City of Dyersville**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dyersville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dyersville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dyersville's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Dyersville's financial statements that is more than inconsequential will not be prevented or detected by the City of Dyersville's internal control. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Dyersville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

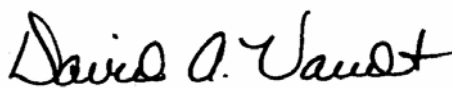
As part of obtaining reasonable assurance about whether the City of Dyersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Dyersville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Dyersville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dyersville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 16, 2009



Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**Significant Deficiency:**

- (A) Policies and Procedures – The City has developed draft policies and procedures regarding the personal use of computer equipment and software, password maintenance and internet usage. Also, the written disaster recovery plan is not complete and has not been tested.

In addition, the City does not have written policies and procedures for setting market rental rates of City property to businesses.

Recommendation – The City should approve the draft written policies and procedures regarding the personal use of computer equipment and software, password maintenance and internet usage. Also, the written disaster recovery plan should be completed.

In addition, the City should develop written policies and procedures for setting market rental rates of City property to businesses.

Response – City staff have completed the draft employment policy and the City Council will consider this matter at the end of 2008. Also, the City will work towards developing a written disaster recovery plan for its financial system. In addition, the City will move forward and develop written policies and procedures for setting market rental rates for City property to for-profit businesses.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2008

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, debt service and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – City staff has been more conscientious in reviewing the receipts and disbursements than in previous years. However, extreme flooding in May and June prevented the City from issuing a budget amendment in accordance with Chapter 384.18 of the Code of Iowa by May 31, 2008.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and<br>Business Connection                                   | Transaction<br>Description | Amount    |
|---|----------------------------|-----------|
| Angela English, Library Secretary,<br>Husband owns Ross English Insurance | Insurance                  | \$ 88,472 |
| Betty Scherrman, Library Trustee,<br>Husband owns Scherrman’s Appliance   | Equipment                  | 15,688    |
| Adam Huehnergath, Parks and Recreation,<br>Manager, Schwans               | Food                       | 1,478     |
| Joyce Bries, Librarian, owner of Pastry Place                             | Pastries                   | 294       |

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions less than \$1,500 during the fiscal year do not appear to represent a conflict of interest.

The transactions exceeding \$1,500 may represent conflicts of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response –The City has consulted with legal counsel regarding this matter and believes that we are compliant under Chapter 362.5(10) of the Code of Iowa.

Conclusion – Response accepted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2008

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.
- (9) Financial Condition – At June 30, 2008, the Special Revenue, CDBG Fund had a deficit balance of \$87,587.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City will investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

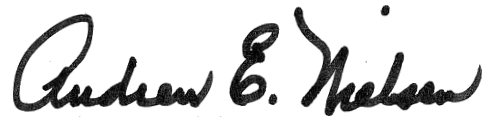
Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Brian P. Schenkelberg, CPA, Staff Auditor  
Robert N. Hanna, Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State